

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-31 IGA-02 TRSE-00

OMB-01 CIAE-00 INR-10 NSAE-00 RSC-01 XMB-07 DRC-01

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R 030536Z MAY 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2103

INFO AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

C O N F I D E N T I A L JAKARTA 5397

THE HAGUE FOR USDELEGATION

EO 11652: GDS

TAGS:EAID,ID

SUBJECT: IGGI-16

REF : STATE 088624

1. WIDJOJO REQUESTED MEETING WITH USAID DIRECTOR
EVENING OF MAY 2 TO DISCUSS FORTHCOMING IGGI
MEETING. BAPPENAS DEPUTY CHAIRMAN SALEH AFIFF
ALSO PRESENT.

2. WIDJOJO FIRST ASKED FOR RESTATEMENT OF U.S.
INTENDED POSITION AT IGGI. WE SAID THAT WE WOULD
NOT CHALLENGE VALIDITY OF \$850 MILLION AID REQUEST
AND WE WOULD NOT REDUCE OR WITHDRAW FROM PLEDGE OF
ONE THIRD OF BILATERAL AID MADE AT DECEMBER MEETING.
ARITHMETIC HAS CHANGED SINCE DECEMBER BY REASON OF
INCREASED LENDING PLANS BY IBRD AND ADB, AND FIGURES
CONTAINED CONGRESSIONAL PRESENTATION FOR TOTAL OF
\$176 MILLION NOW APPROXIMATE AMOUNT NEEDED MEET
PLEDGE. IN CANDOR WE MUST NOTE AT LEAST PRIVATELY
THE UNCERTAINTIES SURROUNDING P.L. 480 FIGURE, BUT
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THERE IS ADDITIONAL POSSIBILITY OF EX-IM BANK

LENDING WHICH CAN COMPENSATE. OUR INTENTION IS TO BE JUST AS HELPFUL AND SUPPORTIVE AS OUR CIRCUMSTANCES PERMIT.

3. WE WERE PARTICULARLY SENSITIVE TO POSSIBILITY THAT ADJUSTMENTS IN U.S. PROGRAM MIGHT ADVERSELY INFLUENCE JAPANESE, AND WE HAD MADE MAXIMUM EFFORT IN WASHINGTON, TOKYO AND JAKARTA TO SEE THAT OUR POSITION WAS PRESENTED IN BEST POSSIBLE LIGHT.

4. WIDJOJO SAID IT WAS HIS INTENTION AT IGGI TO ACKNOWLEDGE IMPROVED FINANCIAL PROSPECTS AND FACT THAT PROGRAM AID NOW LESS URGENT. PROGRAM AID ISSUE WOULD BE DEALT WITH CAREFULLY, HOWEVER, BECAUSE SOME DONORS (E.G. GERMANY AND NETHERLANDS) HAVE PLANS TO PROVIDE ADDITIONAL AMOUNTS. HE WOULD FURTHER SAY THAT GOI NOW PREPARED CONSIDER FINANCING DEVELOPMENT PROGRAM IN PART FROM LESS CONCESSIONAL RESOURCES, AND CITE EXAMPLES OF IBRD AND ADB. WITH RESPECT TO ROLE OF EXPORT CREDIT FINANCING BY BILATERAL DONORS, WIDJOJO PREFERS NOT DISCUSS AT THIS MEETING, BUT IF ASKED HE WOULD SAY THAT GOI INTENDS UNDERTAKE SYSTEMATIC SURVEY SUCH FACILITIES WITH A VIEW TO DECIDING EXTENT TO WHICH EXPORT CREDIT CAN BE USED IN FINANCING DEVELOPMENT PROGRAM. THEY WANT TO AVOID, HE SAID, "OPENING ALL THE DOORS AT ONCE", AND TO ASSURE THAT THE DISCIPLINE OF BORROWING AND QUALITY OF PROJECTS CAN BE MAINTAINED. WE SAID THIS SEEMED REASONABLE, AND ENCOURAGED HIM VOLUNTEER STATEMENT ALONG THESE LINES.

5. JAPAN PRESENTED SPECIAL PROBLEM, AND GOI HAD SENT BANK INDONESIA GOVERNOR RACHMAT SALEH TO TOKYO ON MAY 2 TO DISCUSS THEIR POSITION URGENTLY WITH MIKANAGI. JAPANESE WERE APPARENTLY TOYING WITH SOME FORM OF ONE THIRD FORMULA. PROBLEM WAS "ONE THIRD OF WHAT", BECAUSE SOME DEFINITIONS COULD RESULT IN SHARP REDUCTION OF JAPANESE AID. FOR EXAMPLE, SOME CONSIDERATION APPARENTLY BEING GIVEN TO DELETION OF DK AMOUNT AS NO LONGER JUSTIFIED, CONFIDENTIAL

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AND APPLICATION OF "ONE THIRD OF BILATERAL NON-FOOD AID" TO BALANCE, WHICH WOULD YIELD A PLEDGE OF ABOUT \$115 MILLION. WIDJOJO CONCLUDED, HOWEVER, BY SAYING THAT HE DIDN'T SEE HOW JAPANESE COULD FAIL TO MAKE PLEDGE BECAUSE IT WOULD BE TOO BIG A BLOW TO TANAKA'S PRESTIGE.

6. WIDJOJO SAID THEY WOULD WANT TO ANNOUNCE TAT

CONCLUSION OF MEETING THAT NON-FOOD PORTION OF REQUEST HAD BEEN MET, FOOD PORTION WA ALWAYS TREATED SEPARATELY BECAUSE OF UNCERTAINTIES RE INDONESIAN NEED AND COMMODITY AVAILABILITIES. THIS CONNECTION, HELPFUL IF U.S. COULD INDICATE A FIGURE FOR POSSIBLE AMOUNT COTTON IN \$116 MILLION P.L. 480 REQUEST WHICH COULD BE COUNTED IN NON-FOOD COLUMN. THIS WOULD BE FULLY UNDERSTOOD AS "PROVISIONAL," BUT WOULD BE VERY HELPFUL HAVE FIGURE FOR USE AT MEETING. SUGGEST U.S. DELEGATION BE PREPARED DISCUSS THIS AS DEFINITELY AS POSSIBLE.

7. RE OTHER DONORS, GERMANY EXPECTED INCREASE AID AND CONTINUE PROGRAM AID. DUTCH WOULD STICK WITH DECEMBER PLEDGE. BELGIANS WOULD IMPROVE TERMS. FRENCH HAD JUST SIGNED AGREEMENT FOR 1973/74, AND NOTHING EXPECTED FROM ITALY. NO INDICATION OF UK INTENTIONS AS YET.

8. WIDJOJO EXPRESSED APPRECIATION FOR CONSIDERATE MANNER IN WHICH U.S. HAD DEALT WITH SITUATION, AND PARTICULARLY OUR SENSITIVITY AND UNDERSTANDING ON QUESTION OF JAPANESE. HE SAID HE LOOKED FORWARD MEETING MACDONALD AND U.S. DELEGATION BEFORE IGGL. NEWSOM

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